

ASSEMBLY BILL

No. 897

Introduced by Assembly Member Houston

February 22, 2007

An act to amend Section 23701 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 897, as introduced, Houston. Taxation: tax-exempt organizations: administration.

The Corporation Tax Law, in modified conformity to federal income tax laws, exempts various types of organizations from the taxes imposed by that law, provided that those organizations satisfy certain specified requirements, including a requirement to apply for tax exempt status with, and be approved by, the Franchise Tax Board and to pay a filing fee, as provided.

This bill would delete that requirement, and instead, would provide that an organization, as defined, is exempt from state taxes if it had filed an application with, and is approved by, the Internal Revenue Service for tax exempt status.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 23701 of the Revenue and Taxation Code
- 2 is amended to read:
- 3 23701. ~~Organizations which are~~ (a) *An organization that is*
- 4 *organized and operated for nonprofit purposes within the provisions*

1 of a specific section of this article, or ~~are~~ *is* defined in Section
 2 23701h ~~(relating, relating to certain title-holding companies)~~
 3 ~~companies~~, or Section 23701x ~~(relating, relating to certain~~
 4 ~~title-holding companies)~~ ~~companies~~, ~~are~~ *is* exempt from taxes
 5 imposed under this part, ~~except as provided in this article or in~~
 6 ~~Article 2 (commencing with Section 23731) of this chapter, if:~~
 7 *upon approval of its application for tax exempt status filed with*
 8 *the Internal Revenue Service pursuant to Section 501(c) of the*
 9 *Internal Revenue Code, as amended.*

10 ~~(a) An application for exemption is submitted in the form~~
 11 ~~prescribed by the Franchise Tax Board; and~~

12 ~~(b) A filing fee of twenty-five dollars (\$25) is paid with each~~
 13 ~~application for exemption filed with the Franchise Tax Board after~~
 14 ~~December 31, 1969; and~~

15 ~~(c) The Franchise Tax Board issues a determination exempting~~
 16 ~~the organization from tax.~~

17 ~~This section shall not prevent a determination from having~~
 18 ~~retroactive effect and does not prevent the issuance of a~~
 19 ~~determination with respect to a domestic organization which was~~
 20 ~~in existence prior to January 1, 1970, and exempt under prior law~~
 21 ~~without the submission of a formal application or payment of a~~
 22 ~~filing fee. For the purpose of this section, the term “domestic”~~
 23 ~~means created or organized under the laws of this state.~~

24 ~~The~~

25 ~~(b) The Franchise Tax Board may issue rulings and regulations~~
 26 ~~as are necessary and reasonable to carry out the provisions of this~~
 27 ~~article.~~